



# DataPro



## **CORPORATE RATING REPORT**

## **ROBUST INTERNATIONAL COMMODITIES LIMITED**

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July, 2022

# ROBUST INTERNATIONAL COMMODITIES LTD

## Long-Term Rating:

# A<sup>-</sup>

Short Term Rating: A1

Rating Outlook: Stable

Trend: Up

Currency: Naira

Date issued: 8 Jul, 2022

Valid Till: 7 Jul, 2023

## Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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## EXECUTIVE SUMMARY

	2021	2020	2019	2018
Turnover	16,242,564,830	3,269,270,738	50,468,049	-
Pre-tax-profit	5,392,271,762	11,215,449	(8,540,078)	(1,271,256)
Shareholders' Funds	6,312,707,385	12,675,371	1,459,922	8,728,744
Fixed Asset	973,419,134	526,744,634	81,946,080	90,946,080
Total Asset	23,087,912,859	3,583,832,224	136,970,173	99,028,744
Long-term Debt	16,525,369,204	461,085,752	92,437,336	

\*2021 results represent the Management Accounts as at December 2021

## Rating Explanation

The Short-Term Rating of **A1** indicates **Good Credit Quality** and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **A<sup>-</sup>** indicates **Low Risk**. It shows Very Good Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has strong ability to meet its ongoing obligations.

## RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

### Strengths:

- Good Earning Profile
- Good Profitability
- Very Good Liquidity
- Corporate Guarantee by Parent Company

### Weaknesses:

- Low Equity Funding
- Governance Risk

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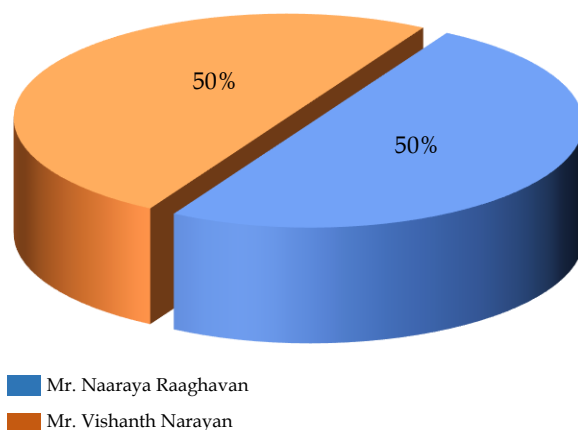
## BACKGROUND

**Robust International Commodities Limited ("the Company")** was incorporated as a Private Limited Liability Company on the 28th of June, 2017. However, the Company began operations on the 15th of September 2019.

The Company was established for the business of local procurement, sourcing, processing, marketing, distribution and exportation of various agricultural commodities. The Company trades in agriculture commodities such as: Cashew Nuts, Sesame Seeds, Ginger, Brown Eye Beans, Soya Beans, Hibiscus Flower, Stone Flower and Gum Arabic.

The Company has a trade and supply chain across Africa and Asia. Through an already established extensive global reach, it developed sourcing networks directly with farm gate suppliers and manufacturing processors. The Company had also expanded its presence across the value chain with operations in logistics, warehousing and through its own processing facilities.

### ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Robust Commodities International Limited

Presently, the Company has production and processing facilities in **Kano, Kogi, Lagos and Rivers State**. Staff strength is 12 permanent staff and 46 contract employees.

The Company is a deemed subsidiary of **Robust International Pte Limited**. Ownership of the Company is shared equally between **Mr Raaghavan Naarayan and Mr Vishanth Narayan**.

**Robust International Pte. Ltd.** was incorporated in **Singapore** in February 2006. It initially focus on exports of South American timber products to India. In 2011, the Company launched the trading activities of its current core products (raw cashew nuts and sesame seeds). Following the arrival of **Mr. Raaghavan** as **Managing Director**, Timber Business was progressively reduced and kept to a residual figure.

In 2012, the Company added commodities such as Shea Nuts, Gum Arabic, Dried Hibiscus Flowers, Pulses and Peanuts to its offering. In recent years **Robust** has established itself as major actor of the Cashews and Sesame markets, pursuing volume growth and extending its network of logistical and processing assets each year. Robust has shown a clean Track-record and positive bottom-line figures since inception.

**Robust International Pte. Ltd.** is the sole legal entity of the business and relies on 18 representation offices worldwide to operate and gather information on the field. It always supports the Nigerian entity as and when required. The Singaporean entity grew its equity base by 22% to \$95m in the 2021. The financial summary of its operation for the year 2020 and 2021 is as follows.

#### ROBUST INTERNATIONAL PTE. LTD. FINANCIAL SUMMARY (2020-2021)

KEY FACTORS	2021 US\$	2020 US\$
Turnover	602,082,669	516,898,228
Pre-tax-profit	19,147,113	15,983,623
Shareholders' Funds	94,846,576	77,929,132
Non-Current Assets	13,327,234	13,843,475
Total Asset	257,222,291	233,210,236
Long-term Debt	9,010,965	10,219,109

*Source: Robust Commodities International Limited*

**Robust International Pte. Ltd.**, by its letter dated 30<sup>th</sup> June 2022, provided a Corporate Guarantee for the operation of **Robust International Commodities Limited**.

## DIRECTORS PROFILE

The following served as directors during the year under review; **Mr. Raaghavan Naarayan** and **Mr. Vishanth Narayan**

The Directors' profiles are as follow.

- Name:** Mr. Raaghavan Naarayan

**Profession:** Businessman

**Position:** Chairman and Managing Director

**Years of Experience:** 40 years

**Past Job Experience:** •African Agro Commodities Limited  
•EDF Man Europe

**Year of Board:** 5 Years

**Membership in Robust**
- Name:** Mr. Vishanth Narayan

**Position:** Executive Director

**Past Job Experience:** •Swiss Singapore Overseas Enterprises Pte Ltd  
•Bank of America Merrill Lynch

**Year of Board:** 6 Years

**Membership**

## AGRIC SECTOR REVIEW

The Nigerian Agricultural Sector is one with very high potentials for employment generation, food security and poverty reduction. The Sector has been largely dominated by subsistence farming over the past few years, however with improved technology.

It contributes 27% of Nigeria's GDP with biggest denomination from crop production at 90%. Others include Livestock (1.7%), Fisheries (0.5%) and forestry (0.3%).

The Sector is faced with major challenges including lack of access to finance, resource shortages, insufficient supply to meet the growing population demand, inadequate and outdated system of farming, absence of value addition and supply-chain linkages.

Reforms in the sector have been driven by Government policies aimed at encouraging more mechanized farming and thereby, leading to a more agro-allied nation. The Agriculture Promotion Policy which succeeded the Agriculture Transformation Agenda was developed in 2016 as a national policy framework for driving the growth and development of the Sector in Nigeria. Other initiatives include, *The Nigeria-Africa Trade and Investment Promotion Programme*, *The Nigerian Oil Palm Policy (Draft)*, *CBN Commercial Agriculture Credit Scheme*, *CBN N50bn Targeted Credit Facility (Corona Virus response)* and *CBN Backward Integration Programme*.

According to data from the Nigeria Bureau of Statistics (NBS), Nigeria's top Agro export crops include: Cocoa (~~₦~~63.18b), Cashew nuts (~~₦~~42.94b), Sesame seeds (~~₦~~21.64b), Coconut (~~₦~~13.02b), Ginger (~~₦~~3.75b), Frozen Sea food (~~₦~~3.46b) and Brasil nuts in shell (~~₦~~3.28b).

Nigeria continues to expand its ability to earn foreign exchange from Agricultural exports, especially during the time when oil revenue is not as robust as it used to be. However, domestic production is still not enough for local consumption, hence the need to import food items from other countries. This in turn affects Nigeria's Balance of Trade and by extension, the exchange rate. Nigeria has continued to record Agricultural foreign trade deficit in the past 5 and half years.

Nigeria recorded a foreign trade deficit of ₦1.9 trillion in the second quarter of 2021, having recorded an import value of ₦6.9trillion as against an export value of ₦5.0trillion. Similarly, Agricultural imports also recorded a trade deficit of ₦486.8b. This represented a total import of ₦652.1b as against an export of ₦165.3b. Exported Agro-food items in Q2 2021 represented 112% increase compared to the corresponding period of 2020. This is the highest on record according to the NBS.

Challenges of Agricultural export in Nigeria according to the *Nigeria Export Promotion Council (NEPC)* includes poor packaging, labeling, poor storage facilities and preservatives, poor logistics and documentation, poor handling leading to low quality.



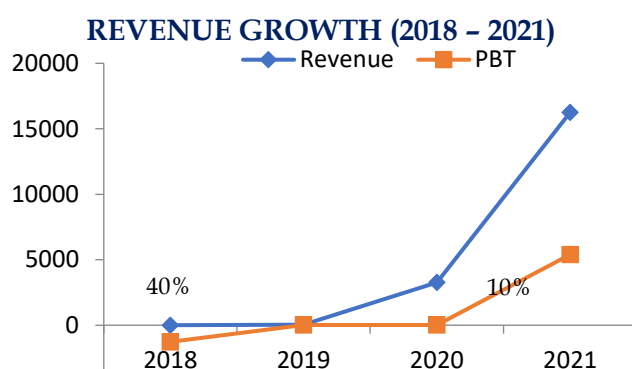
In order to address these challenges, the *NEPC* proposed to establish *the Domestic Export Warehouse (DEW)*, a one-stop facility and terminal for storage of products, packaging and labeling, pre-shipment, inspection and fumigation of export designated goods, in preparation for ultimate transportation to the ports.

In January, 2021, the *Africa Continental Free Trade Area Agreement (AFTCA)* was implemented. The aim of the Agreement is to foster Agricultural transformation and advancement in Africa in order to promote food security and competitiveness through the improvement of regional agricultural value chain and investment in production.

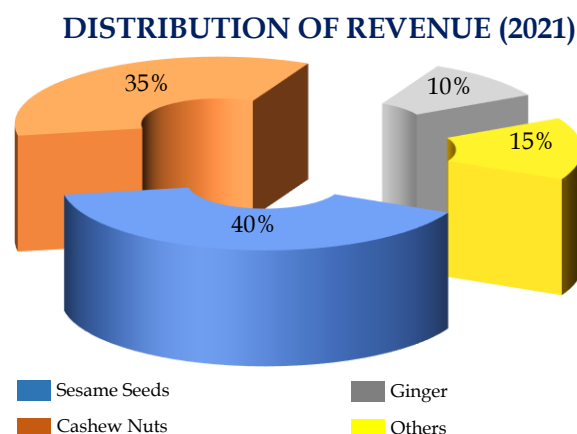
Growth opportunities abound for operators in the industry on account of availability of arable lands, support initiatives from government and the growing population of the country. Additionally, *AFTCA* will also provide access to larger market for operators in the industry.

## FINANCIAL PERFORMANCE

### • EARNING PROFILE



Source: Robust Commodities International Limited



Source: Robust Commodities International Limited

We have reviewed the Audited account of the Company for the years 2018 to 2020. This is in addition to Management Account for the year ending 2021.

*Robust International Commodities* derived earnings from exporting Sesame seeds, Raw Cashew nuts, Dry split ginger, Brown eye beans, Soya Beans, Stone flower and Gum Arabic. However, major Revenue was generated from Sesame Seeds in the year 2021. This contributed 40% during the year under review.

The Company grew its Revenue consistently on an annual basis. The latest growth rate was significant at 396%. This was due to the company's ability to grow its local and export sales significantly in the year 2021. Aggregate Revenue therefore went up from ₦3.2b (Yr. 20) to ₦16.2b (Yr. 21).

## • PROFITABILITY

In the period under review, Revenue growth outweighed the rate of increase in direct costs of production and sales. As a result, Gross Profit Margin went up from 3% (Yr.20) to 39% in the year 2021.

Total Operating Cost comprises majority of Administration and Personnel Expenses. The Company brought down its Operating Expenses by 55% from ₦72.7m (Yr. 20) to ₦32.7b (Yr. 21). This was largely due to the decline in the administrative component of the Total Operation Expenses. However, Personnel related Expenses accounted for the largest proportion of the company's Total Operating expenditure.

Operating profit recorded ₦6.4b in the year 2021 and ₦11m in 2020. Finance charge amounting to ₦873m was incurred during the year. Consequently, Net Profit was ₦5.4b (Yr. 21) as against ₦11.2m (2020). The Company recorded Net Profit Margin 33% during the year 2021 as against 0% (Yr. 20). All other profitability indices improved during the year under review.

## • CAPITALIZATION

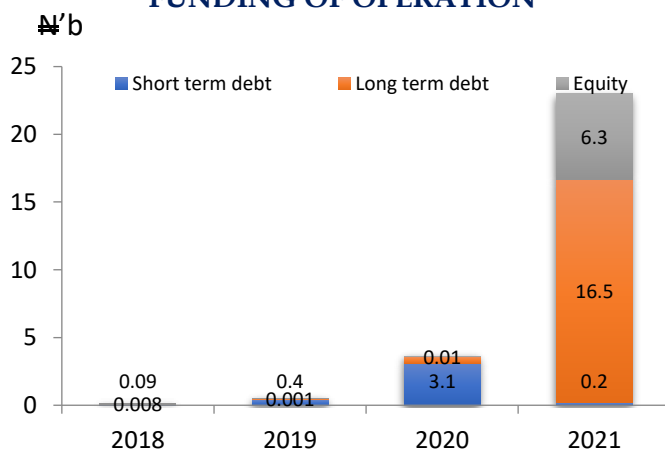
Shareholders' Fund grew significantly in the year under review. The Company grew its Share Capital from initial base of ₦10m at commencement of operation to ₦917m in the year 2021. This is in addition to constant profit retentions which increased total Equity to ₦6.3b (Yr. 21).

### BREAKDOWN OF THE TOTAL ASSET (2021)

ITEM	2020 ₦	%
Non-Current Assets	973,419,134	4
Current Assets	22,114,493,725	96
Total Asset	23,087,912,859	100

Total Assets amounted to ₦23b in the year 2021. It grew by 544% compared to the previous year balance of ₦4b (Yr. 20).

### FUNDING OF OPERATION



Source: Robust Commodities International Limited

This rise in the value of Total Assets was largely driven by growth in Current Assets. Following significant increment in the value of Inventories and Receivables from customers, Current Assets grew by 623%.

In view of the significant growth in the Company's Equity, internal funding of operation was better in the year 2021 than the previous year. Shareholders' Fund accounted for 27% in the year 2021.

The International Finance Corporation an arm of the World Bank is supporting Robust Commodities International Ltd for the purposes of an expansion project valued at approximately USD 25M. Consequently, the Nigerian entity is expected to increase its Fixed Assets and Equity base significantly. The Project is also expected to add significant capacities of modern storage infrastructure and processing to The Nigerian Company, reduced capacity constraints and preserve the quality of produce from smallholder farmers through the concept of shared infrastructural arrangements.

## • ASSET UTILITY

### FACTORY INSTALLED CAPACITY AND UTILIZATION

PRODUCTS	FACTORY INSTALL CAPACITY	UTILIZATION
Sesame seeds	20,000 MT	15,000 MT
Raw cashew nuts	10,000 MT	8000 MT
Dry split ginger	1000 MT	500 MT
Soya beans	2000 MT	1200 MT
Brown eye beans	2000 MT	1200 MT

Source: Robust Commodities International Limited

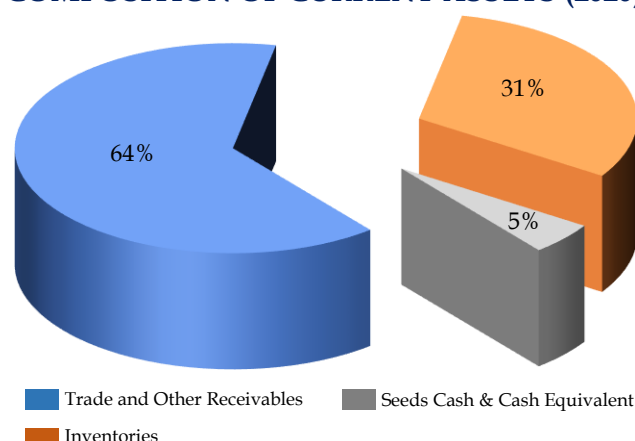
The Company's facilities are spread across four (4) states in Nigeria. These are: Kano, Kogi, Lagos and Rivers States.

Total Asset comprises of Non-Current and Current Asset. The Current portion contributed 96%

of Total Assets in the year 2021. Non-Current Assets comprised majorly of Property, Plant & Equipment. The value of Non-Current Assets increased by 85% from ₦526mb (Yr. 20) to ₦973 (Yr. 21)

The growth in Total Assets outpaced that of Revenue in the year 2021. Therefore, the ability of the Company to generate Revenue using the Assets deployed to operation declined from 91% (Yr. 20) to 70% (Yr. 21). However, the ability

### COMPOSITION OF CURRENT ASSETS (2020)



Source: Robust Commodities International Limited

of the company to utilize assets to generate profit grew to 23% in the year under review.

## • LIQUIDITY

Total Liabilities has grown consistently over the last three years. It grew from ₦3.6b (Yr. 20) to ₦16.8b (Yr. 21). This increase was largely due to the borrowings of ₦16.5b taken up by the Company during the year.

The Company has existing Long-term Bank loan. The value of its existing loan obligation as at December 2021 is ₦16.5b. The Current Assets of the Company is



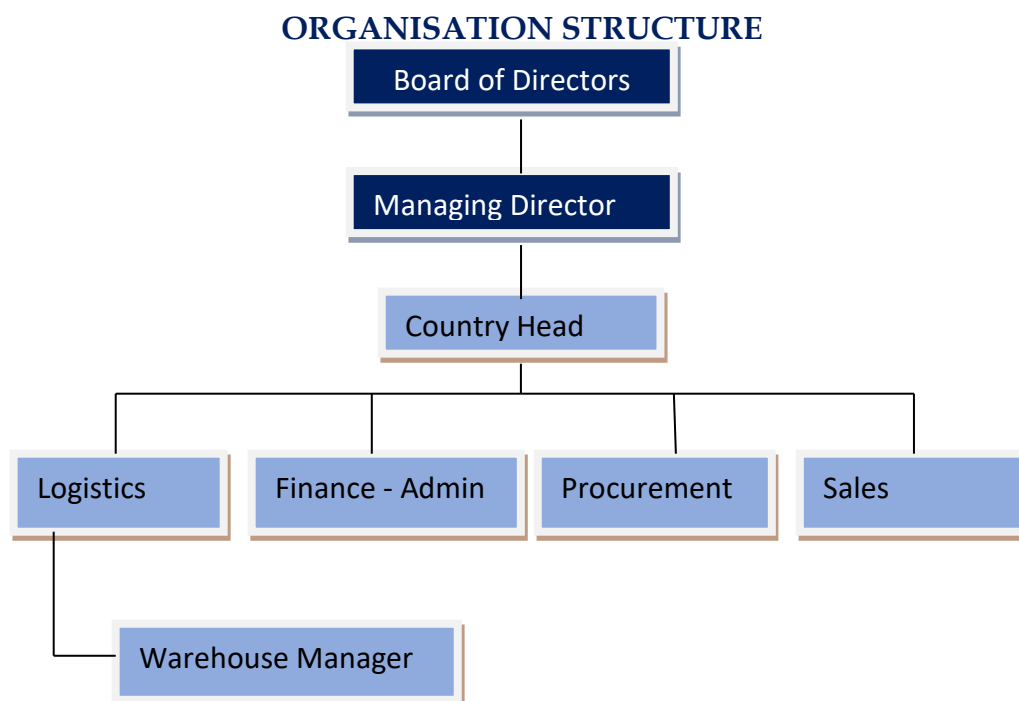
largely concentrated in Trade Debtors. It accounted for 61% and 64% of Total Assets and Current Assets respectively.

The cash flow from operation in the year 2019 was a negative balance of ₦6.7m. However, a positive cashflow was recorded in the year 2020. The ability to settle short-term maturing obligation improved impressively during the year 2021.

## CORPORATE GOVERNANCE & RISK MANAGEMENT

The Company's day to day affair is directed by its Board members and implemented by its Executive Director.

The company's corporate organogram structure is as highlighted.



*Source: Robust International Commodities Limited*

## SUSTAINABILITY AND THE IMPACT OVERVIEW

In order to ensure the sustainability of its operation, the Company put in place the following measures:

- Ensuring that all existing operations of the Robust Nigeria are on track to be compliant with IFC and ILO standards both for environmental sustainability as well as operational health and safety
- Full-fledged EHS monitoring system with KPIs to be in place for all operations in Nigeria from storage warehouses to processing facilities

- Provision of training not only to its employees but to third party suppliers on Ethical sourcing, life and fire safety and first aid as well as methods to identify risks in supply chains
- Deepening engagements with smallholder farmers in order to provide inputs that could increase their yields and decrease irrigation costs
- Improving various aspects of the supply chain in Nigeria through listing all locations of suppliers the company is procuring from (directly or indirectly) and digitally mapping the perimeters of all smallholder famers in order to enhance traceability
- Getting multiple certifications for operations including Environment Management System (EMS) - ISO 14001, Occupational Health & Safety Management System - ISO 45001, Quality Management System (QMS) - ISO 9001, and Food Safety Management System (FSMS) - ISO 22000/FS 2200

## RISK FACTORS

The Company recognizes its risks and has developed various measures to manage them.

In the course of our review, we observed the following significant risks.

- **LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to paying of significant fees.

In the course of our review, we did not come across any litigation in which the Company is involved as a party.

- **REPUTATIONAL RISK**

This is the risk that the Company may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the company.

- **CREDIT RISK**

This is the risk arising from the inability of counterparties to honour their obligations as and when due.

Based on our review, a significant amount of ₦14.1b representing 61% of the Company's Total Assets are concentrated in third parties.

Based on information provided, the Company mostly sells its products to its Parent Company with no record of default. Consequently, credit risk is minimized.

- **LIQUIDITY RISK**

This is the risk arising from the inability of the Company to pay obligations as and when due.

Based on our review, the Company maintained a Current Ratio that is 89times the value of Current Liabilities in the year 2022.

- **EXCHANGE RATE RISK**

This is the risk arising from adverse movement in exchange rate between naira and other currencies of the Company's operations.

Based on our review, the Company sources 100% of its production inputs locally and exports 100% of its production. Therefore, adverse movement in Exchange Rate could impair profitability.

However, we observed that the current business model of the Company allows it to sell and earn USD thereby achieving a natural foreign exchange hedge.

- **GOVERNANCE RISK**

This is the risk arising from inability of the Board to provide appropriate oversight for the Company operation.

Based on our review, the Company Board members comprised of two (2) Executive Directors. Consequently, appropriate checks and balances expected on the Board may not be available.

## CONCLUSION

The Rating of the company is supported by its Strong Earning Profile, Very Good Liquidity and Good Profitability

Consequently, we assigned a Rating of "A"

## FINANCES

Financial Position as at

	Dec, 2021 N'000	Δ%	Dec, 2020 N'000	Δ%	Dec, 2019 N'000
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Property, Plants & Equipment	973,419	84.80	526,745	542.80	81,946
	<u>973,419</u>	84.80	<u>526,745</u>	542.80	<u>81,946</u>
<b>CURRENT ASSETS</b>					
Inventories	6,864,054	16,327.86	41,783	-	-
Trade and Other Receivables	14,065,626	366.73	3,013,684		50,468
Cash and Cash Equivalents	1,184,813	73,036.60	1,620	(64.44)	4,556
	<u>22,114,493</u>	623.38	<u>3,057,087</u>	5,455.92	<u>55,024</u>
<b>TOTAL ASSETS</b>	<u>23,087,912</u>	544.22	<u>3,583,832</u>	2,516.51	<u>136,970</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Owners</b>					
Share Capital	917,760	9,077.60	10,000	-	10,000
Retained Earnings	5,394,947	201,580.26	2,675	(131.32)	(8,540)
	<u>6,312,707</u>	49,704.39	<u>12,675</u>	768.15	<u>1,460</u>
<b>NON CURRENT LIABILITIES</b>					
<b>Loan</b>	-		461,086	398.81	92,437
Deferred Tax Liabilities	16,525,369	-	-	-	-
	<u>16,525,369</u>	3,484.01	<u>461,086</u>	398.81	<u>92,437</u>
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	249,836	(91.97)	3,110,071	7,120.47	43,073
	<u>249,836</u>	(91.97)	<u>3,110,071</u>	7,120.47	<u>43,073</u>
<b>TOTAL LIABILITIES</b>	<u>16,775,205</u>	369.74	<u>3,571,157</u>	2,535.35	<u>135,510</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>23,087,912</u>	544.22	<u>3,583,832</u>	2,516.51	<u>136,970</u>

Revenue	16,242,565	396.83	3,269,271	6,377.91	50,468
Profit Before Tax	5,392,272	47,980.89	11,215	(231.32)	- 8,540

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**Signed:**   
**Name:** Oladele Adeoye  
**Designation:** Chief Rating Officer  
**Date:** 8th July, 2022

For and on behalf of:  
**DataPro Limited**  
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## USER GUIDE

*DataPro's* credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

### LONG-TERM RATING

#### Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	( <i>Superior</i> ) Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	( <i>Excellent</i> ) Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	( <i>Very Good</i> ) Assigned to companies which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	( <i>Fair</i> ) Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have an ability to meet their

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

## Non-Investment Grade

### Indicator Meaning Explanation

BB	Moderate Risk	<i>(Marginal)</i> Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

## SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.